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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1982

No. 82-1274

TIMBERLAND MACHINES AND ENGINEERING CORP., E. HOWARD SWAFFORD, FREDERICK L. MILLER,

Petitioners,

v.

MAINLAND INDUSTRIES, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF OREGON

RESPONDENT'S BRIEF IN OPPOSITION

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Respondent Mainland Industries, Inc., respectfully requests that this Court deny the petition for writ of certiorari, seeking review of an opinion of the Oregon Court of Appeals. That opinion is reported at 58 Or. App. 585, 649 P.2d 613 (1982).

QUESTIONS PRESENTED

1. Does petitioner present a federal

question.

2. If there is a federal question involved, was it properly preserved before the state courts.

STATEMENT OF FACTS

1. Procedural Background.

This case was originally commenced by Mainland to obtain title to a patent on an improvement to one of its products. The patent had been issued to petitioner Miller, Mainland's former chief engineer, as a result of work performed by him while still an employee of Mainland. The action was tried before the Circuit Court of the State of Oregon, County of Clackamas, sitting in equity. Trial lasted 7 days. Petitioners were at all times represented by counsel. Based upon the evidence presented, the Circuit Court issued a 31 page opinion, holding that the patent properly belonged to Mainland. It granted to petitioner Miller, however, a lifetime, non-assignable license to use the patent.

Mainland appealed and petitioners cross-appealed. The Oregon Court of Appeals affirmed the trial court's holding that the patent belonged to Mainland, and reversed the grant of a lifetime license to petitioner Miller. The court found that the grant was unprecedented and that Miller's bad faith and unclean hands barred any equitable relief. Petitioners sought a rehearing before the court of appeals and review by the Oregon Supreme Court. These requests were denied.

Under Oregon law, the Court of Appeals could have altered the trial court's findings of fact because its review is de novo, but found no reason to do so in any material way. Ore. Rev. Stat. 19.125(3).

2. Factual Background.

The Statement of the Case contained in petitioners petition for certiorari contains a number of factual statements directly contradicted by the findings of the trial court and the Oregon

Court of Appeals. Among the inaccuracies are the following:

A. Petitioner Miller was not simply hired in a general capacity. Cf. Petition, at 3, 24. The trial court found that Miller's duties specifically included inventing improvements and developments to enhance Mainland's product line. Trial Court's Findings of Fact IV (a) and (b), Petition, at A-86.

B. Miller had no agreement with Mainland or its predecessor that permitted him to keep patents on all inventions made on his "own time, money, and facilities." Trial Court Findings of Fact VII, VIII, IX, Petition, at A-89 - A-90; cf. Petition, at 6, 19. The Oregon Court of Appeals concluded that "the parties intended that Miller would assign to Mainland any patents directly related to his employer's product line." Court of Appeals Opinion, Petition, at A-14 - A-15.

C. It was petitioner Miller's responsibility as Chief Engineer to identify problems in Mainland's product line and to either solve them himself or to assign the problems to a subordinate for solution. Trial Court's Findings of Fact IV (b) and (c), Petition, at A-86; cf. Petition, at 11.

D. This responsibility specifically included the obligation to work on correcting any deficiencies in the 1973 Knifeholder (which had been patented earlier by Miller and assigned to Mainland). Trial Court's Findings of Fact VII (a) through (d), Petition, at A-88 - A-89.

E. Petitioner Miller was aware of the difficulties being encountered by Mainland's customers when using the 1973 Knifeholder. Trial Court's Memorandum Opinion, Petition, at A-47; cf. Petition, at 9-11.

F. The 1978 patented Knifeholder would have solved the problems that Mainland's customers were

having with the 1973 Knifeholder. Trial Court's Memorandum Opinion, Petition, at A-47 - A-48; cf. Petition, at 11, n. 4.

G. Miller had an obligation to disclose to Mainland all ideas that were relevant to its product line and not to work secretly in competition with Mainland. Trial Court's Findings of Fact VII (d) and (e), Petition, at A-89.

H. When asked to work on solving these problems, Miller responded that there was no known solution, even though he had already conceived of the improvements that led to the 1978 patent. Court of Appeals Opinion, Petition, at A-4.

I. Miller breached his professional and fiduciary obligations to his employer by failing to disclose to Mainland the new invention that would solve the problems of the 1973 Knifeholder. This, together with his taking of documents belonging to Mainland in order to set up a competing company, constituted bad faith and

unclean hands. Trial Court's Memorandum Opinion, Petition, at A-75 - A-76; Court of Appeals Opinion, Petition, at A-17 - A-18.

REASONS FOR DENYING THE PETITION

1. No Federal Question Has Been Presented.

This case does not involve any issues wherein the validity of a treaty or a statute of the United States is drawn in question or where the validity of a state statute is challenged as being repugnant to the Constitution, treaties or laws of the United States. Nor is there involved any title, right, privilege or immunity set up or claimed under the Constitution, treaties, statutes, commissions or authority of the United States.[1] 28 U.S.C. § 1257(3).

1. Although petitioners cite U.S. Const. Art. I, § 8, cl. 8 and U.S. Const. Amend. XIV, Petition, at 2-3, 12, no suggestion is ever made that the questions involved fall within the purview of these provisions, except to the extent petitioners claim there has been a deprivation of property without due process. If that argument were sufficient, every dissatisfied party in a state

The only issue involved here is whether a private employer is entitled to a patent developed by an employee during the course of his employment and as a part of his duties to his employer. This is solely a question of state law. This was recognized by this Court in United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933), the case relied upon by petitioners. This Court said:

> The respective rights and obligations of employer and employee, touching an invention conceived by the latter, spring from the contract of employment. [Emphasis added.] 289 U.S. at 187.

See also, Lear, Inc. v. Adkins, 395 U.S. 653, 661-62 (1969) (construction of patent licensing agreement is solely a matter of state law and issue is not open to Court); Becher v. Contoure

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1. (cont'd) civil action could present a federal question.

The only federal statute cited by petitioners is 28 U.S.C. § 1257, in their section entitled "Jurisdiction." Petition, at 2. No citation is made to any federal patent laws.

Laboratories, Inc., 279 U.S. 388, 390-91 (1929) (where employer sought assignment of patent from employee based upon breach of contract or wrongful disregard of confidential relations, patent laws did not apply and state court had jurisdiction).

Petitioners themselves have conceded that no federal question is presented:

> In determining entitlement to an invention as between an employer and an employee, absent an employment contract, title to the invention of an employee is governed by the traditional common law of master-servant. [Emphasis added.] Petition, at 14.

As such, this Court has no jurisdiction and certiorari would be inappropriate. 28 U.S.C. § 1257 (3).

While petitioners cite this Court's opinion in United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933), that decision is not on point. The only reason that Dubilier was even in the federal court system was that the United States

was a party. Since then, the President, acting pursuant to statute, has issued an Executive Order dealing with the ownership of patents developed by government employees. Exec. Order No. 10,096, 15 Fed. Reg. 389 (1950), as amended by Exec. Order No. 10,695, 22 Fed. Reg. 365 (1957); Exec. Order No. 10,930, 26 Fed. Reg. 2583 (1961); reprinted following, 35 U.S.C.A. § 266. Congress has left to the States the question of ownership of patents developed by employees of private companies. That is the situation here, and there is no need for this Court to intervene.

The real heart of petitioners' argument is not that the Oregon courts did not follow United States v. Dubilier Condenser Corp., supra, but rather the Oregon courts made two findings of fact that petitioners want this Court to change: (1) that petitioner Miller was hired to invent, and (2) that petitioner Miller had no agreement with his employer that permitted him to keep the 1978

Patent. Petition, at 17. In Dubilier, the employees were not hired to invent. 289 U.S. at 193-95. The Court noted that where an employee is hired to invent, as here, the employer is entitled to any resulting patents.[2] 289 U.S. at 187.

What petitioner is really asking this Court to do is to review the entire factual record of this case, and then to substitute its own findings of fact for those of the Oregon courts. It would be inappropriate for this Court to grant a petition for certiorari for these reasons. Graver Tank & Mfg. Co. v. Linde Air Products Co., 339

2. In Dubilier, the subject inventions were completely independent of the work for which the inventors were employed. The inventions were not involved in or suggested by the problems with which the section in which they were employed was involved, nor had the inventors been assigned the tasks by their superior. 289 U.S. 178, 185. In this case, the 1978 Knifeholder is at the very heart of Mainland's product line. The solution to the problems plaguing the 1973 Knifeholder was of fundamental importance to Mainland and, as Chief Engineer, it was petitioner Miller's job, and no one else's, to assign the task of finding the solution, or to solve the problem himself.

U.S. 605, 609-10 (1950) (trial court's Findings of Fact should not be disturbed unless clearly erroneous); Goodyear Tire & Rubber Co. v. Ray-O-Vac Co., 321 U.S. 275, 278 (1944) (must be strong case where Court will set aside concurrent findings of fact by court of appeals and trial court); United States v. Johnson, 268 U.S. 220, 227 (1925) ("We do not grant a certiorari to review evidence and discuss specific facts.").

2. Even If There Were A Federal Question Involved, Petitioners Would Be Barred From Seeking Review Since They Never Properly Presented And Preserved Any Such Questions.

At no time have petitioners ever suggested to the Oregon courts, either at the trial or appellate level, that petitioners were asserting any claim or were denied any right arising under federal law. They alleged no violation of due process of law. They never raised any federal statute or Constitutional provision as a ground for relief, or as having preempted state law.

On the contrary, they proceeded at all times as if the questions involved herein were solely matters of state law. Petitioners own citations to points in the case where they claim federal questions were raised, Petition, at 12-14, only go to show that no federal question was raised, and that United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933) was raised for its precedential value and nothing more.

That being the case, it would be inappropriate for this Court to grant the petition for certiorari. This Court has repeatedly held that federal questions cannot be raised for the first time before this Court. E.g., Cardinale v. Louisiana, 394 U.S. 437, 438-39 (1969):

> It was very early established that the Court will not decide federal constitutional issues raised here for the first time on review of state court decisions. ...
>
> In addition to the question of jurisdiction arising under the statute controlling our power to review final

judgments of state courts, 28 U.S.C. § 1257, there are sound reasons for this. Questions not raised below are those on which the record is very likely to be inadequate, since it certainly was not compiled with those questions in mind. And in a federal system it is important that state courts be given the first opportunity to consider the applicability of state statutes in light of constitutional challenge, since the statutes may be construed in a way which saves their constitutionality. Or the issue may be blocked by an adequate state ground.

CONCLUSION

No federal question has been presented or properly preserved. The issues are solely matters of fact and state law. The holding in this case is not in conflict with this Court's decision in United States v. Dubilier Condenser Corp.. No satisfactory reason has been given to upset the decision of the Oregon Court of Appeals and a writ of certiorari would be inappropriate.

DATED this 2nd day of March, 1983.

Respectfully submitted,
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